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The “Reset”: Theory, Results, Future

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New Economic School
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Point of Departure in 2008

- **Drift in U.S.-Russia Relations**
- **Iraq War**
- **Conflicts Regarding European Security**
- **Economic Recession**

2009: The Obama Administration's Policy Review on Russia = The "Reset"



Theory of the “Reset”

1. U.S. and Russia Share Common Interests

- **Obama, NES, 2009:** “The pursuit of power is no longer a zero-sum game -- progress must be shared.”

2. Need to Develop a Multi-Dimensional Relationship: Security, Economy, Society

3. Increased Engagement Is the Means to Produce Win-Win Outcomes

Theory of the “Reset” (2)

4. Can practice **Dual Track Engagement**:

- Engage Russian government
- Engage Russian business and society

5. Can reset relations with Russia while maintaining our relations with other countries

6. Can avoid linkage of unrelated issues

Means for Pursuing Reset

- Deepen Interaction between Top Officials.
- Structure Government-to-Government Engagement (BPC).
- Create Conditions for Increased Trade and Investment.
- Facilitate More Society-to-Society Contact.

Increased Interaction between Top Officials Moscow, July 2009



Moscow, July 2009



Washington, June 2010



Moscow, March 2011



Washington, July 2011



Bilateral Presidential Commission: 20 Working Groups

2012 Joint Report: <http://www.state.gov/p/eur/ci/rs/usrussiabilat/186831.htm>

- Policy Steering Group
- Agriculture
- Arms Control and International Security
- Business Development and Economic Relations
- Civil Society
- Counternarcotics
- Counterterrorism
- Defense Relations
- Education, Culture, Sports, and Media
- Emergency Situations
- Energy
- Environment
- Health
- Innovation
- Intelligence
- Military Cooperation
- Nuclear Energy and Nuclear Security
- Science and Technology
- Space Cooperation
- Rule of Law

ENGAGING BUSINESS

Obama and Medvedev Meeting with Russian and American CEOs



Putin Meeting Exxon-Mobil CEO Rex Tillerson



Medvedev Meeting with VC Investors



ENGAGING CIVIL SOCIETY



ENGAGING RELIGIOUS LEADERS



ENGAGING POLITICAL LEADERS



ENGAGING POLITICAL LEADERS



ENGAGING POLITICAL LEADERS AND CIVIL SOCIETY



ENGAGING SOCIETY DIRECTLY

(not mediated through press or NGOs)



ENGAGING YOUTH



Fostering Peer-to-Peer Dialogue Between Americans and Russians

- Civil Society Summits
- Civil Society Participation in BPC working groups
- Exchange Programs for environmental experts, health specialists, human rights advocates, business leaders, etc.

PEER-TO-PEER DIALOGUE



RESET RESULTS



Security



New START Treaty

- Entered into force in February 2011
- Limits each side to:
 - 1550 deployed warheads
 - 700 deployed delivery vehicles
 - 800 deployed and non-deployed ICBM launchers, SLBM launchers, and heavy nuclear bombers
- Strong verification including:
 - On-site inspections (18 per year)
 - Data exchanges and exhibitions

Afghan Transit and Northern Distribution Network

Contributing to Stability in Afghanistan



Afghan Transit and Northern Distribution Network (NDN)

- Up to 4,500 U.S. flights annually
 - 2,180 U.S. flights as of May 8, 2012
 - 369,104 U.S. personnel and troops transited Russia
- Expanded ground and rail transit through Russia, including reverse transit
 - 47,711 containers delivered of lethal and non-lethal equipment
 - 53% of sustainment cargo goes through the NDN
 - 75% of supplies transiting NDN go through Russia
 - Over 50,000 containers shipped across Russia
- Russia considers offering use of air facility to NATO to aid in combating terrorism

Cooperation on Afghan Security

The background of the slide features a blue-tinted photograph of two Mi-17 helicopters in flight. The helicopters are positioned diagonally across the frame, with one in the foreground and another slightly behind it to the right. The image is semi-transparent, allowing the text to be overlaid clearly.

- Supplies
 - Fuel (contract with Manas Transit Center)
 - 21 Mi-17 helicopters, option to purchase additional units
 - Small arms
- Counter-Narcotics Cooperation
- Intelligence Information Exchange

Other Military Cooperation

- Russian Black Sea task force takes part in NATO drills off Spanish coasts – first time Russian sub has participated in any NATO exercise
- Russian Air Force pilots will take part in a joint U.S.-Russian military exercise for the first time
- Improved information exchange on military exercises

Iran

- **2009: Jointly Developed IAEA Tehran Research Reactor (TRR) Proposal**
- **2010: UNSC Resolution 1929**
 - Restricts Iran's nuclear activities
 - Restricts ballistic missile and conventional military activities
 - Restricts military sales to Iran
- **2012: Close Cooperation in the P5+1**

North Korea (DPRK)

- UNSC Resolution 1874 (June 12, 2009)
 - Russia and U.S. supported in response to a May 25, 2009 DPRK underground nuclear test
- Tightened inspection regime against North Korea (high seas, sea ports, airports)
- Blocked funding for nuclear and missile proliferation activities
- UNSC Presidential Statement (April 16, 2012)
 - U.S. and Russia condemned the DPRK's rocket launch on April 13, 2012.

Counterterrorism Cooperation

- Presidents issue Joint Statement on Counterterrorism Cooperation at Deauville Summit (May 2011)
- Vigilant Eagle Exercises (2010 and 2011)
 - NORAD and Russia enhance coordination and partnerships to ID, intercept, and follow a suspected hijacked aircraft
- In May 2012, for first time ever, Russian Paratroopers take part in a counterterrorism exercise at Ft Carson

Russian and American Troops Training Together



Cybersecurity

- Exchange information on technical threats from botnets
- Exchange views on each other's military's views of operating in cyberspace
- Establish 24/7 systems allowing U.S. and Russia to communicate about cybersecurity issues via existing crisis prevention communication links

Lock Down of Nuclear Materials

- **HEU Removal**

- Cooperating to remove Russian-origin HEU from third countries and return to Russia, including all HEU from Ukraine in March 2012.

- **HEU Downblending**

- As of December 2011, verifiably downblended 442 MT of former Soviet weapons-origin HEU (enough for approximately 17,698 nuclear weapons) for peaceful use in U.S. power plants, providing 10% of U.S. electricity. A total of 500 MT is to be eliminated by 2013.

- **Plutonium Disposition**

- Signed amendment to agreement to dispose of enough US and Russian surplus weapons plutonium for approximately 17,000 nuclear weapons.

NATO-Russia

- **Afghanistan**
 - Two-way transit arrangement
 - Ulyanovsk Transit Center - will provide air/rail option for moving non-lethal supplies out of Afghanistan
 - Expanded counternarcotics training to include Pakistan and broaden scope of cooperation with Central Asian countries
 - Development of an NRC Helicopter Maintenance Trust Fund
- **Expand Counterterrorism Cooperation**
 - Joint technology development to detect explosives
 - Countering threats to civil aviation
 - Enhanced information exchange
- **Expand Counter-Piracy Cooperation**
- **Talks on Missile Defense Cooperation**

ECONOMY



WTO

- Represents completion of longest (18 year) accession process in WTO history
 - Unprecedented U.S. support for Russia's bid
- Russian accession agreement includes steps to liberalize both goods and services sectors
 - Creates a more competitive, transparent Russian economy
- Accession creates the conditions to expand trade and investment between Russia and U.S.
 - Some studies estimate doubling of trade in the medium term.

123 Agreement

- Permits export of nuclear materials and equipment by U.S. firms to Russia, subject to robust technology transfer reviews
- Enables both countries to jointly develop proliferation-resistant technology
- Facilitates export of Russian-origin enriched uranium or fuel assemblies by U.S. firms (USEC, Westinghouse) to third countries
- Facilitates direct contracts between U.S. and Russian nuclear firms
- Allows joint bids on civil nuclear projects

U.S.-Russia Trade

\$42.9 billion in 2011, Highest Ever



U.S. Investment in Russian Economy (1)

- **John Deere:** Opened new \$125 million assembly and parts distribution facility in April 2010
- **Coca-Cola:** Invested over \$80 million to develop Russia business in June 2010; company has 14 plants and over 60 distribution centers in Russia
- **Burger King:** Opened first restaurant in Moscow in January 2010
- **Subway:** Entered market in December 2009. Plans to expand shops from 78 to 1000 by 2015
- **Kimberly-Clark:** Opened \$170 million plant in June 2010 to produce diapers
- **Ford:** Formed a joint venture in June 2011 with Russia's Sollers, planning to invest \$1.2 billion

U.S. Investment in Russian Economy (2)

Boeing:

- 50 737s to Russian Technologies:
- 16 777s to Aeroflot
- 4 787s to Transaero
- \$9.7 billion in firm orders since 2010

Cisco: \$1 billion investment in high-tech sector

PepsiCo: \$3.8 billion investment in Wimm-Bill-Dann

Exxon-Mobil/Rosneft: Investments potentially up to \$500 billion; Strategic agreement gives Exxon access to oil deposits in Arctic and Black Sea. Initial investment will be \$3 billion for first-phase exploration.

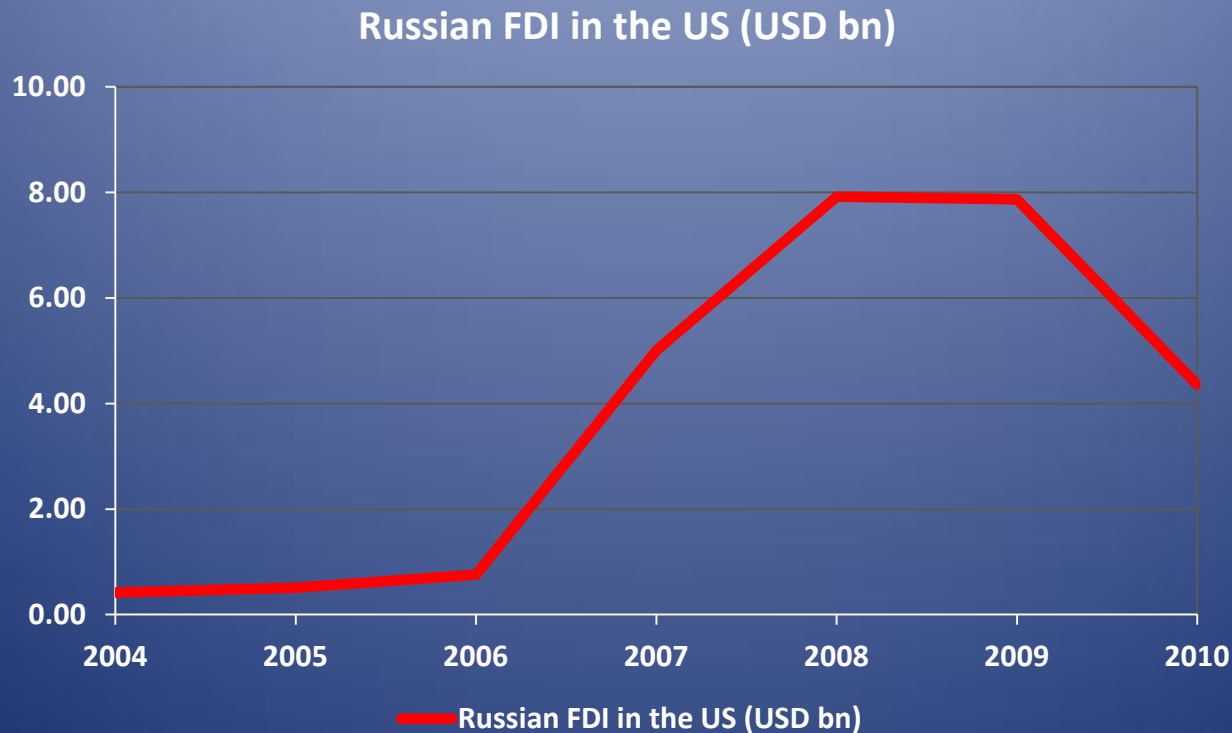
GE: New Joint Ventures in Energy and Health Care

- Could drive \$10-15 billion in new sales for GE

Russian Investment in the U.S.

Economy

- From 2004 to 2009, Russian FDI in the U.S. increased from \$420 million to \$7.7 billion
- Russia's FDI stock dropped to \$4.4 billion through 2010, due primarily to major divestitures of Russian steel companies



Cooperation on Innovation

- **Parallel Business Summits (July 2009, June 2010)**
- **President Medvedev Visit to Silicon Valley (June 2010)**
- **Governor Schwarzenegger Leads Technology Delegation (October 2010)**
- **Innovation Working Group**
- **Rule of Law Working Group**
- **MIT-Skolkovo Partnership**

SOCIETY

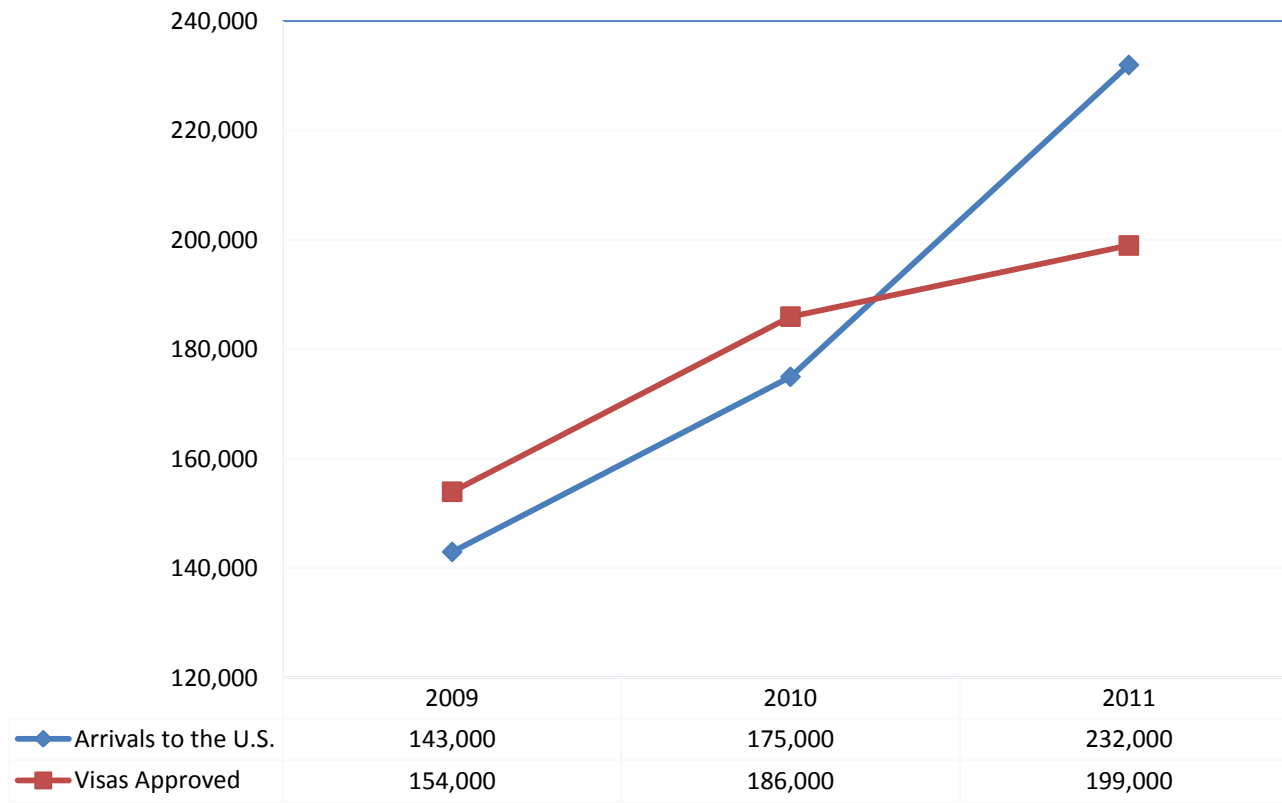


Growing People-to-People Connections

- **New Agreement on Visas** (July 2011)
 - Tourists and businesspeople will receive three-year, multiple-entry visas to visit the other country
- **Adoption Agreement** (July 2011)
 - Enhanced provisions for protection of adoptees
- **“American Seasons”** (2011-2012)
 - Chicago Symphony Orchestra
 - Herbie Hancock
 - Wylie and the Wild West
 - John Forte
 - Annie Leibovitz
 - Bill T. Jones

Increased Travel to the U.S.

Recent Russian Travel to the United States



Fields of Unnoticed Cooperation

- Space
- Health and Science
- Environment and Energy
 - Smart Grid Partnership Program
- Text4Baby Russia
 - Delivers free mobile text messages to Russian mothers

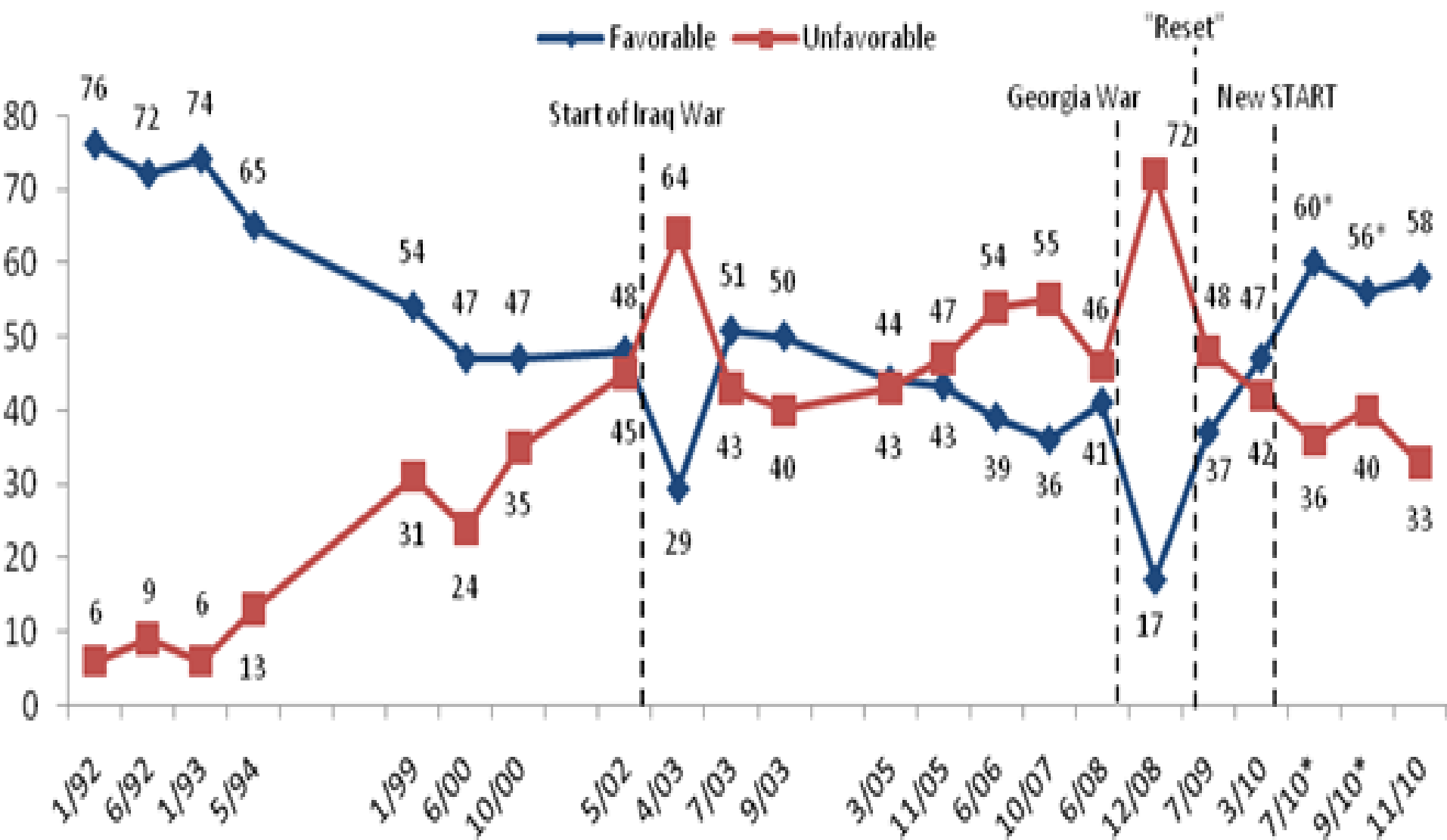


Societal Attitudes Improving

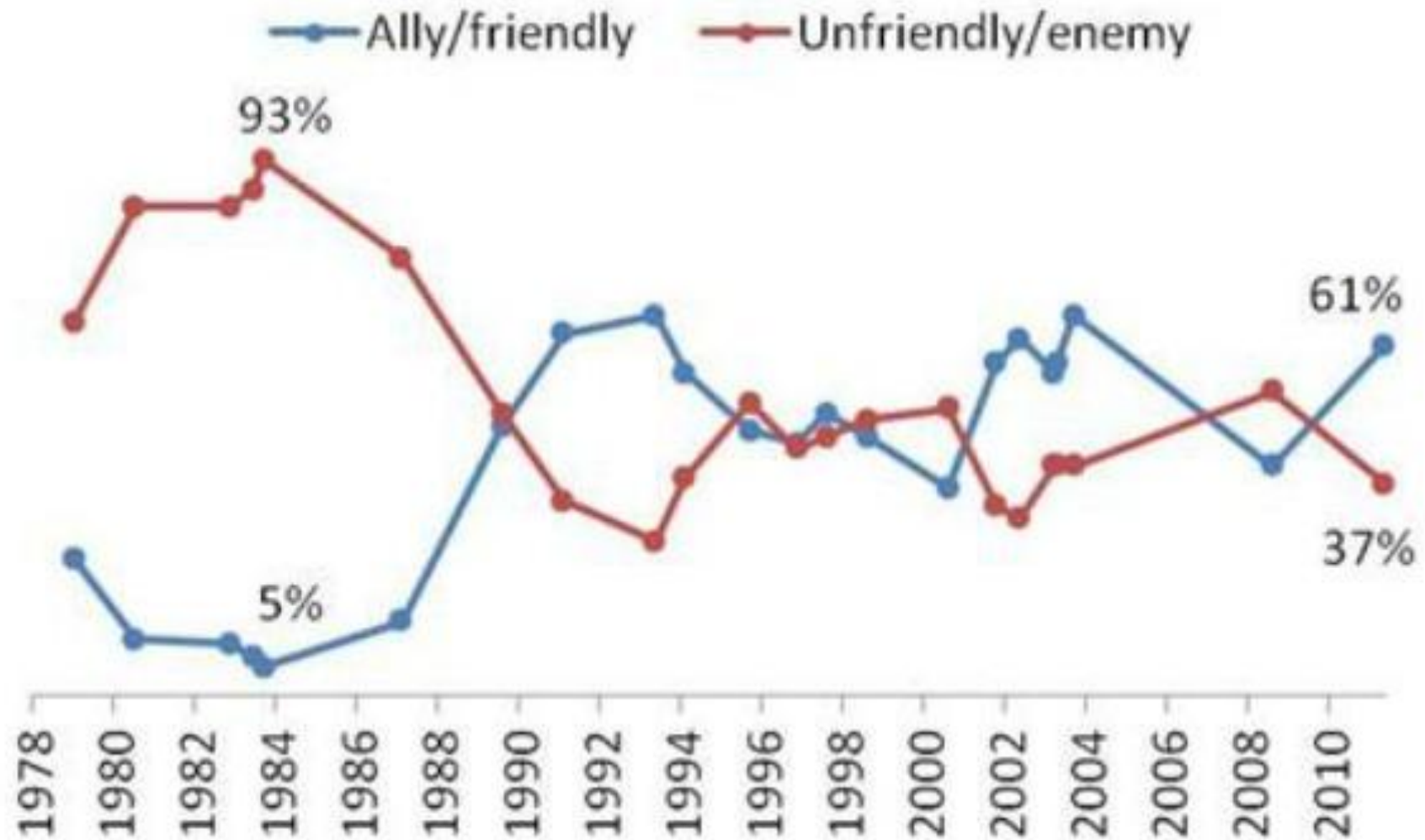
- Russian favorable attitudes toward the U.S. increasing.
- American favorable attitudes toward Russia increasing.

Figure 1: Russian Favorable Views of the United States Hit Highest Point in 10 Years

Q: Please tell me whether, in general, you have a very favorable, somewhat favorable, somewhat unfavorable, or very unfavorable opinion of the U.S.? (%)



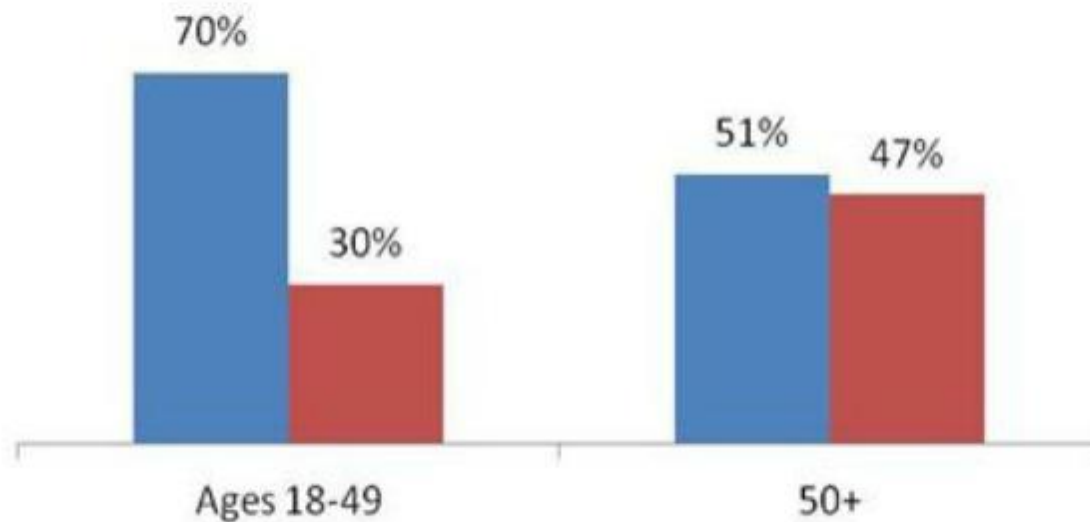
Russia: friend or foe?



Sources: CNN/ORC (2011), Post-ABC (2002, 2008), CBS (2007), Harris (1979-2001).

Younger Americans more positive on Russia

■ Ally/Friendly ■ Unfriendly/Enemy



Source: CNN/ORC poll May 2011.

Agenda for the Near Future: Issues

- Increasing Trade and Investment
- Syria
- Nonproliferation (Iran and DPRK)
- Missile Defense

Agenda for the Future: Approaches

- **Avoiding Zero-Sum Competition**
- **Managing Differences in Discussions over Common Values:**
 - **Sovereignty and Universal Values**
 - **Obama, NES, 2009:** “State sovereignty must be a cornerstone of international order.”
 - **Obama, NES, 2009:** “America's interest in democratic governments that protect the rights of their people.”
- **Getting Beyond Cold War Stereotypes**

Reset Continuity

- In last three years, over two dozen major accomplishments
 - Compared to previous historical periods, a most active period of producing cooperative outcomes in U.S.-Russian relations
- For the Obama administration, this record of achievement demonstrates the benefits of continuing with the “reset.”

Let's keep talking



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